



The U.S. Organic Dairy Industry – Booming Demand with Room to Grow

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Key Points:

- *An enormous gap between organic and conventional farm milk prices during 2016, combined with more price stability, has encouraged record high transitions to organic and expansions of existing organic herds.*
- *During periods of growth such as this, an oversupply can lead to organic milk being sold as conventional.*
- *The organic dairy industry is maturing, and beginning to resemble the conventional industry as farms look to grow to take advantage of economies of scale and handlers look for logistical efficiency in supply chain.*
- *Milk is second only to eggs in terms of retail price premiums for organic over their conventional counterparts, but demand remains strong.*
- *Growth in consumer demand for organic dairy should remain strong and has room to grow but it will be a bumpy road and any economic turnaround could present significant risk.*
- *Given the high premiums for organic farm milk during 2015 and 2016 a substantial addition to the organic milk supply can be expected in 2018 and 2019, but demand growth must continue in order to support the additional supply.*

Summary

Popularity and market share of organic foods have grown steadily over the last several years. Demand for organic dairy products has grown at rates around 10 percent per year in recent years. Some organic food categories command a higher premium over conventional products than others, and consumers vary widely in their motivations and levels of passion for buying organic. Organic milk has experienced significant growth despite having among the highest price premiums over its conventional (non-organic) counterpart. Milk had the highest sales of any certified organic commodity in 2015 at \$1.174 billion and represents about 21 percent of all agricultural organic sales.

Higher prices for organic milk are not only found in grocery store coolers. Organic dairy producers are being paid substantial premiums for their farm milk, even at times when conventional farm milk prices are painfully low. The 12 month average